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BEECH TO ASSEMBLE AND MARKET MITSUBISHI DIAMOND II AIRCRAFT

Raytheon subsidiary Beech Aircraft and Mitsubishi Heavy Industries ended months of negotiations and industry speculation last week when they announced that Beech has acquired the Diamond II business jet line from MHI and its U.S. subsidiary, Mitsubishi Aircraft International. MHI will continue to manufacture subassemblies for the Diamond II in Japan and ship them to the U.S. where the aircraft will be assembled and completed at Beech facilities in Wichita. All of MAI's general aviation operations outside Japan, including the Diamond IA business jet and the Marquise and Solitaire turboprop assembly programs, will be terminated after liquidation of existing inventory. Mitsubishi's plant in San Angelo, Tex. and its marketing and administrative headquarters in Dallas will be closed. MAI has about 310 employes, including about 260 in San Angelo.

The Diamond II was viewed as one of the likeliest candidates for acquisition by Beech since Beech President James Walsh announced that the company planned to acquire a jet model to complement its existing turboprop line (BA, July 22/25). Walsh said as recently as late September that company officials were still undecided about whether they should acquire a small jet like the Diamond II or a larger aircraft (BA, Sept. 30/107), but Mitsubishi's lack of success in the jet business made the Diamond line available. Beech and Mitsubishi spokesmen refused to discuss what Beech paid for the Diamond II, but it is believed to be a relatively nominal sum. In addition, as part of the agreement, Mitsubishi will continue to be responsible for any product liability suits arising from accidents involving Mitsubishi-produced aircraft. The Diamond II is a derivative of the initial Mitsubishi Diamond business jet. Powered by two 2,900-pound Pratt & Whitney JT15D-5 turbofans, it can operate at altitudes up to 41,000 feet and can carry up to eight passengers and two pilots. Maximum range, with IFR reserves, is 1,550 nautical miles.

Beech Calling Diamond II The Beechjet

In addition to assembling and marketing the Diamond II, which will be marketed under the name Beechjet, Beech will take over product support activities for Mitsubishi-built turboprops and jets outside Japan. Mitsubishi has delivered 758 turboprop units worldwide, of which about 55 are in Japan, plus 74 Diamonds, Diamond IAs and Diamond IIs since jet deliveries began in late 1982. The Diamond II was certificated in May, but only three units had been delivered through November, although a spokesman said three additional units are scheduled for delivery this month. He said there are no Diamond IIs in inventory, but did acknowledge that MAI has about 15 Diamond IAs. "We will attempt to sell those before the transition is completed, "he said, noting the ongoing "Fly 1986 Free" marketing program under which persons who buy a new Diamond IA before yearend will not have to make any payments in 1986 (BA, Nov. 18/163). In addition, Beech has an option to pick up any unsold IAs on consignment. MAI said it will phase out part of its U.S. operations by Jan. 31, with the remainder to be concluded by March 31. No decision has yet been made on what will be done with the factory in San Angelo, where about 260 of MAI's 310 employes are located.

Beech expects to begin deliveries of the Beechjet in the first quarter of 1986. The aircraft will be marketed through the company's worldwide network of 34 full-line Corporate Aviation Centers.

(Continued on the following page)

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AIRPORT AND AIRWAY TRUST FUND
Status As Of Sept. 30, 1985

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 7,532,805,132.53	$ 6,440,835,770.41
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund):		
Any liquid fuel except gas	5,050,000.00	73,029,299.00
Tires used on aircraft	0.00	0.00
Tubes used on aircraft	0.00	0.00
Gasoline		
1. Commercial 9 cents tax	225,000.00	2,699,000.00
2. Non-commercial 9 cents tax	1,756,000.00	21,940,384.00
3. Non-commercial 3 cents tax	614,000.00	6,888,128.00
4. Transp by air,seats,berths,etc.	238,471,000.00	2,508,776,730.00
Use of international trav fac	12,571,000.00	108,290,424.00
Transp of property and cargo	4,975,000.00	134,055,089.00
Total Tax Receipts	263,662,000.00	2,855,679,054.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	-1,250.00	-11,907.00
2. Any liquid fuel except gas	-359,560.00	-3,744,762.00
3. Gasoline -Retailer's tax	-70.00	-581,847.00
4. Gasoline -Manufac. tax	-430.00	-2,465.00
Total Reimburse For Tax Refunds	-361,310.00	-4,340,981.00
Net Tax Receipts	263,300,690.00	2,851,338,073.00
C. Interest on Investments	2,755,155.45	746,298,378.48
Net Receipts	266,055,845.45	3,597,636,451.48
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	187,194,690.00	1,109,990,410.24
2. Grants-in-aid for airports	108,242,743.85	788,656,796.45
3. Facilities & equipment	49,492,411.95	425,416,225.34
4. Research engineering & development	21,674,158.75	261,894,215.43
B. NOAA weather services	0.00	20,250,000.00
C. Interest on Refund of Taxes	230.00	7,831.00
Total Expenditures	366,604,234.55	2,606,215,478.46
IV. BALANCE - END OF PERIOD	7,432,256,743.43	7,432,256,743.43

ASSETS :		
Undisbursed Balances:		$
Airport & Airway Trust Fund	1,004.36	
Operations	9,589.76	
Grants-in-aid for Airports	-3,734,873.24	
Facilities & Equipment	8,954,284.36	
Research Engineering & Development	10,058,738.19	
NOAA weather services	6,750,000.00	
		$ 22,038,743.43
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS:		
10-3/4% maturing JUNE 30, 1986	$ 7,410,218,000.00	
		7,410,218,000.00
Total Assets		7,432,256,743.43
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		$ 7,432,256,743.43
Total Liabilities and Equity		7,432,256,743.43

Treasury Department Chart